

FINANCE

NEWSLETTER

MAY - JUNE 2014

KENTUCKY DEPARTMENT OF EDUCATION



Federal Reimbursement Electronic Funds Transfer for School Boards

The Kentucky Department of Education (KDE) wants to thank districts for quickly and efficiently converting from paper checks to electronic funds transfers (EFT) for federal reimbursement of health benefit payments submitted to KDE.

Over the past fiscal year, KDE has worked diligently with districts to get the districts setup to submit payments electronically, resulting in checks not being lost in transit, more timely reconciliation of districts' payments and files, and the more timely and accurate identification of file and payment discrepancies..

Since most districts are no longer processing an accounts payable checks for federal reimbursement payments, a

manual journal entry will need to be made. During the federal reimbursement posting process, the insurance amounts automatically post to a salary and benefits payable account. In most districts, this balance sheet object code is 7461. If the district has the federal insurance amounts set up to post to another account, use that specific account that is already established. The example below uses 7461 as the liability account and 6101 as the cash account.

Debit 10-7461 \$5,000.00

Credit 10-6101 \$5,000.00

If you have any questions concerning the federal reimbursement payments or files, please contact Gail Cox at (502) 564-3846, extension 4462 or Gail.Cox@education.ky.gov.

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Federal Reimbursement of Health Benefits File Adjustments

On March 13, 2014, the KDE Munis Support Team distributed an email concerning the rate change in the LivingWell CDHP employer portion. This change affected the Federal Reimbursement payments that were submitted to KDE beginning with the January 2014 federal reimbursement files. The email provided instructions on the steps to perform to recoup any overpayment that was submitted to KDE. An import file was distributed to all districts with the corrected rates.

After importing the file, future reimbursement amounts will

report correctly. KDE has posted those instructions on the "Federal Reimbursement of Health Benefits" website called "CDHP Rate Change". <http://education.ky.gov/districts/FinRept/Pages/Federal-Reimbursement-of-Health-Benefits.aspx>

If you have any questions or problems with making these adjustments in the Munis Health Insurance Federal Reimbursement module you can contact Sheila Miller at (502) 564-2020, extension 2259 or sheila.miller@education.ky.gov or Gail Cox at (502) 564-3846, extension 4462 or Gail.Cox@education.ky.gov.

Tentative Budget Due

This is just a reminder that the Tentative Budget is due May 30. The submission guide is at the [Munis Guides website](http://munisguides.ky.gov). If you have any questions please email: finance.reports@education.ky.gov. The subject line should state Tentative Budget, and a KDE representative will ensure that you get a response within 24 hours. You can find the submission guide and FAQ along with the STW-GL-6 at the following link. Please check for the updates.[Tentative Budget](#)

FY 2014 Audit Contracts

School districts are required to be audited each year by independent certified public accountants (CPAs). The audit contract for fiscal year 2013-2014 is available for review or download at <http://education.ky.gov/districts/FinRept/Pages/District-Financial-Audit-Contracts.aspx>. The FY2014 Audit Acceptance Statement and signed contract, including the latest peer review report, and, if applicable, any letter of response and KSCPA Peer Review Committee letter are due to the Kentucky Department of Education (KDE) on or before Wednesday, May 28, 2014.

The State Committee for School District Audits (SCSDA) recommends an audit firm rotation once every five years as a best practice. After five consecutive fiscal years, if there is no audit firm rotation the district shall provide a written explanation justifying why the district continues to use the same auditor. The written explanation shall be provided to KDE along with the audit contract package referenced above on or before May 28, 2014. The five year audit firm rotation is a recommendation not a requirement. Approval of the audit contract is not contingent upon the written explanation. Factors that could affect the contract approval include the auditor's latest peer review rating and audit contract estimated cost.

The SCSDA will meet to consider approval of the audit contracts on Thursday, June 19, 2014. Once the audit contracts have been approved by SCSDA and the State Committee Chair has signed the contracts, then the contracts will be posted to the District Financial Audit Contract Web page referenced above. Also, KDE will inform districts when the approved contracts are posted to the Web page through the Commissioner of Education's Monday superintendent's e-mail or Fast Five on Friday e-mail.

Please remember that an audit contract is not official until all the required signatures are on the contract. Also, SCSDA annually approves audit contracts for one fiscal year only.

Please forward audit contract questions to Ken Smith at ken.smith@education.ky.gov or (502) 564-3846, extension 4442.

Federal Reimbursement File Submission and Payment

The end of the fiscal year 2013-2014 is quickly approaching. The Division of District Support is asking that the districts upload summer files and submit electronic funds transfers (EFT) payments to the Kentucky Department of Education (KDE) in a timely manner. Please remember that if a district exhausts the awarded federal grant funds and then uses general funds to pay for an employee's salary, the district shall code the expense under one of the federal project codes. Please refer to the [Chart of Accounts](#) for the proper code to use. Please note that when general fund money is used to supplement a grant, the fourth character that is used for the year should be replaced with an "X".

If you have any questions concerning the Federal Reimbursement file or payment, please contact Gail Cox at (502) 564-3846, extension 4462 or Gail.Cox@education.ky.gov.

Fidelity (Performance) Bonds

The Fidelity (Performance) Bonds information for fiscal year 2014-2015 is due to the Kentucky Department of Education (KDE) by **July 1, 2014**, to be approved by the commissioner of education. The "Fidelity (Performance) Bond for Treasurer Exposure Calculation Report FY2014-2015" has been posted to the KDE website below. The window to the SEEK Application Fidelity Bond Web form will be opened on **June 1, 2014**, for districts to begin submission.

Please refer to the "Bonds" Web page, "Fidelity (Performance) Bond" section for all reports and instructions: <http://education.ky.gov/districts/FinRept/Pages/Bonds.aspx>

If you have any questions or problems submitting the "Fidelity (Performance) Bond" Web form, please contact Gail Cox at (502) 564-3846, extension 4462 or Gail.Cox@education.ky.gov.

Summer Transfers

The Personnel Cabinet, Department of Employee Insurance – Kentucky Employees' Health Plan & Kentucky Group Life Insurance sent a letter to all Insurance Coordinators and Billing Liaisons dated April 16, 2014. Please review this letter for additional information pertaining to "End of School Year Terminations, Leave Without Pay (LWOP) Processing, and Hiring Transfers". This letter is titled "Summer Transfers-LWOP-Hiring Transfers IC Memorandum 14-15" and it is located at <https://personnel.ky.gov/Pages/KEHPMemos.aspx>

Bond of Depository

The Bond of Depository information for fiscal year 2014-2015 is due to the Kentucky Department of Education (KDE) by **July 1, 2014**, to be approved by the commissioner of education. Each year the districts are to update their Penal Sum and Collateral Market Value by **July 1**. KDE has posted the "Bond of Depository Penal Sum Worksheet & Example" at the "Bonds" website below to assist the districts in calculating their Penal Sum. The window to the SEEK Application Depository Bond Web form will be opened **June 1, 2014**, for districts to begin submission.

Please refer to the following "Bonds" Web page, "Bond of Depository" section for the "Bond of Depository Web Base Form Submission Instructions": <http://education.ky.gov/districts/FinRept/Pages/Bonds.aspx>

If you have any questions or problems submitting the "Bond of Depository" Web form, please contact Gail Cox at (502) 564-3846, extension 4462 or Gail.Cox@education.ky.gov.

On-Behalf Payments

The fiscal year 2014 “On-Behalf Payment Instructions” have been posted to the On-Behalf Payments website located at <http://education.ky.gov/districts/FinRept/Pages/On-Behalf-Payments-Information.aspx>.

The “Health Benefits On-Behalf Payments” and “Federal Reimbursement of Health Benefits ON-Behalf Payments” are posted to the website monthly.

The FY2014 on-behalf payments, including the health benefits, Kentucky Teachers’ Retirement System (KTRS), technology, debt services, and Kentucky Inter-local School Transportation Association (KISTA) energy savings capital leases, are **required** to be recorded in the fiscal year 2014 unaudited and audited Annual Financial Reports (AFRs).

Districts receiving the vocational

education 20 percent SEEK funding for state run vocational schools **shall not** record those amounts as on-behalf payments.

The payments are made directly to school districts, not to a third party on-behalf of the school districts.

Please forward on-behalf payment questions to Gail Cox at (502) 564-3846, extension 4462 or Gail.Cox@education.ky.gov.

Capital Outlay Funds and Building Funds FY2014

The Kentucky Department of Education (KDE) and the School Facilities Construction Commission (SFCC) would like to remind districts of the following information:

- At the end of **even-numbered fiscal years**, such as FY2014, capital outlay funds (310) and building funds (320) **shall not be escrowed**.
- At the end of **odd-numbered fiscal years**, such as FY2015, capital outlay funds and building funds that **have not been obligated by June 30 are required to be escrowed**.
- Please refer to the *Fiscal YE Processing BGL-2* document located at the [MUNIS Support and Guides](#) Web page under the General Ledger - Year End section, and the *GASB 54 Best Practices & FAQ* document located at the [Fund Balances, Receipts and Expenditures, Chart of Accounts and Indirect Cost Rates](#) Web page under the Chart of Accounts section for detailed instructions on how and when to record year end journal entries.

Please forward capital outlay funds and building funds questions to Jeffrey Coulter, at KDE, at jeffrey.coulter@education.ky.gov or (502) 564-3846, extension 4459, or Lisa D. Collins, at SFCC, at LisaD.Collins@ky.gov or (502) 564-5582.

Audit FAQs and Important Audit Information for School Districts

A list of frequently asked audit questions and answers are available on the Kentucky Department of Education’s (KDE) website at <http://education.ky.gov/districts/FinRept/Pages/District-Financial-Audits.aspx>. Topics include KDE’s review of AFRs and audit reports, A-133 Desk Review high-level findings, required reporting information for Kentucky Teachers’ Retirement System and a variety of other topics.

The Important Audit Information for School Districts document is always located at the above website and it consists of helpful audit resources that will assist districts in selecting an auditor and preparing for the audit.

Please forward audit questions to Ken Smith at ken.smith@education.ky.gov or (502) 564-3846,

Transportation Forms Due May and June

The following Transportation Forms are due in May and June and should be submitted to KDE through a Web submission application: Kentucky School for the Deaf and Blind Daily Trips and Resident Trips – due May 31, and the Transportation Adjustment End of Year Report and the Vocational Transportation – VT-2 Form – both due June 30. Report problems accessing the Web-based forms to district technology staff and make sure permissions are set up correctly.

All transportation reimbursement forms are available at:

<http://education.ky.gov/districts/SEEK/Pages/SEEK-Transportation-Funding.aspx>

*Please note that Debra Vaughan will be at the KAPT Conference June 16-18th and the STAK Conference June 22-25th to help assist you with your web forms. Please bring your forms with you if you need any help.

Clarification Regarding the Deletion of Object Code 0892

Object code 0892, parent involvement, will be deleted from the chart of accounts effective July 1, 2014. Use of object 0892 creates a double identification because there is also a function code for parent involvement (2191). The actual object (salary, supplies, travel, etc) cannot be identified if object 0892 is used instead. Use the function code for parent involvement (2191) and the object code that identifies the specific object being purchased such as salary, purchased professional services, or supplies for example. This change will not diminish the ability to identify parent involvement activities but will, in fact, provide greater detail regarding the types of purchases made in conjunction with those activities.

The change is effective [July 1, 2014](#) therefore nothing will need to be re-coded and it will not affect the FY 14 AFR.

In the Tentative and Working budgets for 2014-15, 0892 will be an invalid expenditure object code. The projections for 0892 should equal zero to pass the edit check.

Finance Officer Training

KDE will be partnering with KEDC, GRREC, and SESC to offer Financial Reporting Workshops for finance officers and other district staff. The agenda will focus on year-end financial reporting issues including the annual financial report (AFR), annual independent audit, Redbook audit issues, fraud prevention, and available resources. KDE is also hosting an Auditor Workshop for school district auditors. District personnel are welcome to attend the Auditor Workshop, if desired. All workshops are free of charge. To register, access the online registration form at <https://docs.google.com/forms/d/1zei3E1wCUBbhHLdGRfR2KV6rqASegzGitC5lPuqvq74/viewform>.

June 3 @ 8:00 am – 5:00 pm ET - Frankfort, CPT Ground Floor Auditorium (Auditor Workshop)

June 5 @ 10:00 am – 3:00 pm ET - Lexington, KEDC (Financial Reporting Workshop)

June 10 @ 10:00 am – 3:00 pm CT - Bowling Green, GRREC (Financial Reporting Workshop)

June 12 @ 10:00 am – 3:00 pm ET - Corbin, Corbin Center (Financial Reporting Workshop)

Questions regarding the workshops may be directed to Carol Buell at 502-564-3846, ext. 4438 or at carol.buell@education.ky.gov.

Indirect cost rates approved at the April KBE meeting

The FY 15 indirect cost rates were approved at the April Kentucky Board of Education (KBE) meeting for those districts who completed the verification/adjustment process at that time. Those rates have been posted to the KDE website: <http://education.ky.gov/districts/FinRept/Pages/Fund-Balances-and-Receipts-and-Expenditures%20and%20COA.aspx>

Districts that did not complete the verification/adjustment process prior to the April meeting are highlighted in yellow on the indirect cost rate summary.

Rates for these districts will be submitted for KBE approval at the June meeting. The US Department of Education requires KBE to approve the rates for all school districts.

The districts are also encouraged to continue to have

them approved at their local board meetings. Please begin using the FY 15 rates on July 1, 2014

KDE thanks the districts for working diligently to complete the rate setting process so quickly by verifying the data through the new SEEK Web submission form.

Please keep in mind that this will be an annual process occurring in March of each year, so read up on the OMB A-87 circular to familiarize yourself with the directives to make sure your rates are correct.

Resources regarding indirect costs can be found at: [http://www.whitehouse.gov/omb/circulars_a087_2004/Indirect Cost Guidelines](http://www.whitehouse.gov/omb/circulars_a087_2004/Indirect%20Cost%20Guidelines)

Questions regarding indirect costs can be directed to Karen Conway karen.conway@education.ky.gov or (502) 564-3846 extension 4435.

Revenue/Refunding Bond Documents Reminder

This is a reminder for districts who are selling refunding or revenue bonds to please verify and work with your fiscal agents and bond attorneys to ensure that the required bond sale documents listed below are submitted for review and approval to the KDE's District Financial Management Branch **a minimum of 10 working days prior to the scheduled bond sale date.**

1. Preliminary Official Statement - (fiscal agent)
2. Notice of Bond Sale - (bond attorney)
3. Official Terms and Conditions - (bond attorney)
4. Plan of Financing - (fiscal agent)
5. Bond Payee Disclosure Form Report (optional) - (fiscal agent)
6. For **Revenue Bonds**, in addition to the items above, please submit the **post bid documents and BG-1 revised** to conform to bids to KDE's District Facilities

Branch.

Please email items 1 through 5 to Jeffery Coulter at jeffrey.coulter@education.ky.gov, Ken Smith at ken.smith@education.ky.gov, Melissa Sullivan at melissa.sullivan@education.ky.gov, and LaTonya Bell at latonya.bell@education.ky.gov.

Deliver item 6 documents and BG-1 to KDE's District Facilities Branch.

If the bond sale documents are not received by KDE's District Financial Management Branch prior to the deadline referenced above the district's bond sale date will be subject to postponement.

Please forward bond sale questions to Jeffery Coulter at jeffrey.coulter@education.ky.gov, Ken Smith at ken.smith@education.ky.gov, and Melissa Sullivan at melissa.sullivan@education.ky.gov.

Revised Insurance Guide

Updates have been made to the Kentucky School Districts Insurance Guide and the new version is now available on the KDE website at <http://education.ky.gov/districts/FinRept/Pages/Finance%20Officer%20Training,%20Insurance%20Guidelines,%20Key%20Financial%20Indicators,%20Financial%20Management%20Calendar,%20>

[Finance%20Newsletter.aspx](#). The primary changes include additional information regarding procurement and agents of record and the addition of a procurement flow chart. A version of the guide with revisions in red type is also posted on the website so you can easily review changes to the previous edition.

Reminder: BG-1 and BG-5 Residual Funds

[702 KAR 4:160](#) establishes the requirements for capital construction projects that are to be initiated with a BG-1 Project Application Form. Once the Kentucky Department of Education (KDE) receives and approves the district's completed BG-1, then KDE will inform the district how to proceed through the construction project process by including a "Project Checklist" with the BG-1 approval letter. Please note that no construction work shall be performed prior to the district receiving approval from the KDE and the Department of Housing, Buildings and Construction.

At the completion of a capital construction project, the district shall submit a BG-5 to "close-out" the project. The district may have residual (leftover) funds in the construction fund that are available to be used for other BG-1 capital projects. Prior to a district requesting approval to use

the unspent residual funds in fund 360, the district must first file a BG-5 and Board Order with KDE's District Facilities Branch and receive KDE's approval. Please note that all residual funds are assumed to be the most restricted funds used in the original project, and the rules to spend these funds are the same as the rules that govern the original funds.

Please refer to the following KDE, District Facilities Branch's Web page link for more BG-1 and BG-5 information: <http://education.ky.gov/districts/fac/Pages/default.aspx>

Please forward any BG-1 financial review questions to Jeffrey Coulter at jeffrey.coulter@education.ky.gov or (502) 564-3846, extension 4459. Forward any BG-1 and BG-5 facilities/construction questions to Greg Dunbar greg.dunbar@education.ky.gov or (502) 564-4326, extension 4429.

KDE support of Munis v9.3 coming to an end

In March 2013, KDE announced districts would commence the process of upgrading to the next version of Munis, V10.3. If you have completed your upgrade to V10.3, congratulations and thank you. KDE asks that the remaining districts complete the process to move to V10.3 in Live before the end of June.

Currently, KDE anticipates the availability of a KTRS program update as well as program updates to the PSD & CSD reports in July. These updates will only be available in V10.3.

We encourage districts to complete the upgrade soon to avoid delays as a limited number of upgrades can be performed each day.

Capital Funds Requests

The fiscal year 2013-2014 Capital Funds Request (CFR) forms are due to the Kentucky Department of Education (KDE) **no later than May 30, 2014**. CFR forms and all required supporting documents must be submitted by e-mail to Denise Hartsfield at denise.hartsfield@education.ky.gov. Please include on the CFR form the MUNIS object expenditure code, MUNIS or itemized description, expenditure amount requested in whole dollars only, and any FY 2014 associated BG-1(s), if applicable, and required signatures. If the CFR involves major maintenance, repairs or improvements to facilities or any construction projects, a BG-1 form also must be submitted with the CFR. If the CFR includes the use of funds escrowed due to SFCC participation, approval to use those funds must be obtained from School Facilities Construction Commission (SFCC) and forwarded to KDE with the CFR.

Please remember that the CFRs are intended to be used by districts experiencing difficulty in meeting general operating expenses.

Upon approval of the CFR by KDE, the district may make transfers out of the restricted funds (310, 320 or 360, as applicable) into the appropriate fund for expenditure. Please note the district is **not required** to make those **planned** expenditures.

****All expenditures made in connection with a**

FY2014 CFR must be made by June 30, 2014. Any **FY2014 CFR funds** approved by KDE that have **not been expended** by June 30, 2014 will revert back to the **original source**. Only the **actual expenditure amount** shall be transferred and recorded as expenditure and **not** the maximum approved amount. ******

KDE needs sufficient time to process and approve all CFRs prior to the end of the fiscal year so districts can accurately report those funds on their financial statements. Please be mindful of the local board of education's board meeting dates as the districts consider submitting FY2014 CFRs and their associated BG-1s. Any CFRs submitted to KDE **without** all the required supporting documents by May 30 may prevent the CFR from being approved by June 30.

The FY2014 Capital Funds Request form, guidelines and examples are located at <http://education.ky.gov/districts/FinRept/Pages/Capital-Funds-Request.aspx>.

Please forward Capital Funds Request questions to Debbie Landrum at deborah.landrum@education.ky.gov or (502) 564-3846, extension 4417, or Denise Hartsfield at denise.hartsfield@education.ky.gov or (502) 564-3846, extension 4401. Please forward facilities and BG-1 questions to Greg Dunbar at greg.dunbar@education.ky.gov or (502) 564-4326, extension 4429.

Administration Fee Changes

The Administration Fee is changing from \$6.36 to \$7.34 beginning on July 1, 2014. After June payroll processing has been completed and the federal reimbursement file(s) have been generated for FY14, the Administration Fee will need to be updated in the Munis Health Insurance Settings screen. Follow the instructions below to update this amount:

Human Resources/Payroll >Payroll >State Specific
>South >Kentucky >KY Health Insurance >Health Insurance Settings

Select Update and enter the new amount of \$7.34 in the Administration Fee Amount field. Select OK.

This must be completed prior to generating the July federal reimbursement file.

National Board Certification Salary Reimbursement Program Application, Due May 9th

May 9th is the deadline to submit salary supplement reimbursement applications for National Board Certified Teachers. To review the application process, frequently asked questions, previous year's NBC Salary Supplement Reimbursements and current law, please [click here](#) to visit KDE's website.

KDE encourages all applications to be submitted electronically to Jana Cox at jana.cox@education.ky.gov. If electronic submission is not possible, please fax to (502)564-6771 to the attention of Jana Cox.

Dates to Remember:

May 9 – National Board Certified due to KDE
May 28 – Audit Contract Package due to KDE
May 30 – Capital Funds Request due to KDE
May 30 – Tentative Budget Due
May 31 – Kentucky School for the Deaf and Blind Daily Trips Due
May 31 – Kentucky School for the Deaf and Blind Resident Form Due
June 1 – Fidelity Bond Web form window application opens
June 1 – Bonds of Depository Web form window application opens
June 30 – Transportation Adjustment End of Year Report
June 30 – Vocational Transportation –VT2- Due
July 1 – Fidelity (Performance) Bonds information due to KDE
July 1 – Bonds of Depository information due to KDE

*KDE Office of Administration and Support
Associate Commissioner Hiren Desai
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*District Facilities Branch
Greg Dunbar – Manager
Staff
Gary Leist
James Bauman
Calleen Yett*

KDE Revised Consolidated Compliance Plan for Non-Discrimination

Please be advised that the Kentucky Department of Education has revised its Consolidated Compliance Plan for Non-Discrimination. The revised plan has been posted on the Legal and Legislative Services [page](#) on KDE's website and includes a Discrimination Complaint Form that can be filled out by anyone alleging discrimination against KDE staff and/or KDE program areas.